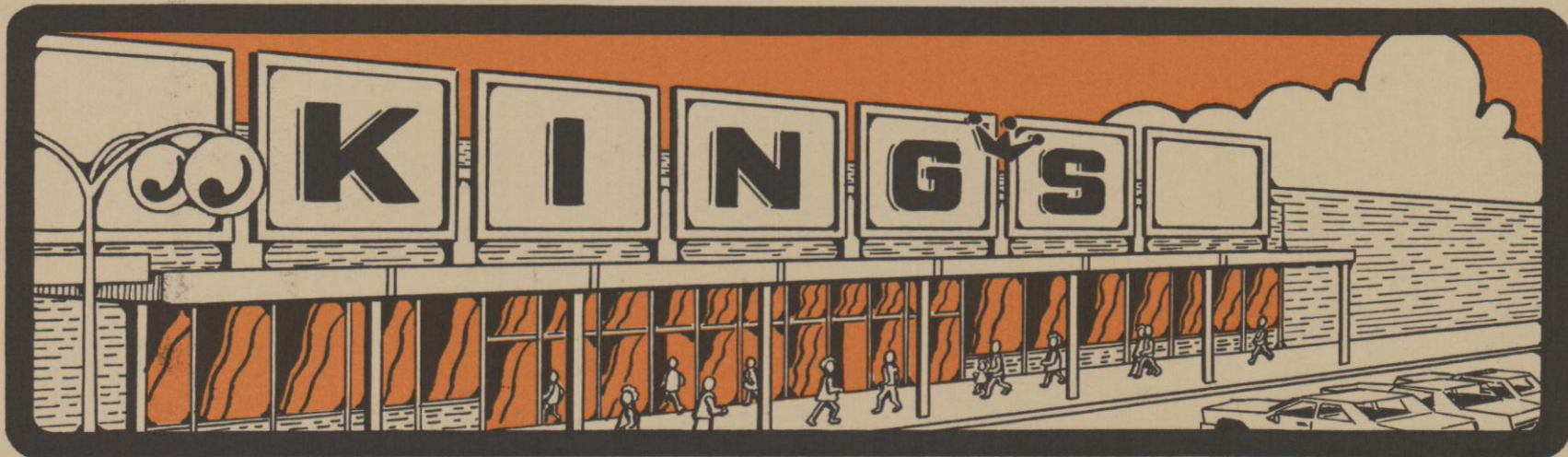


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## King's Department Stores, Inc. Annual Report 1971



**ANNUAL MEETING:** The annual stockholders' meeting of King's Department Stores, Inc. will be held on Wednesday, May 24, 1972 starting at 10 A.M. at the Marine Midland Bank, 140 Broadway, New York City. Stockholders are cordially invited to attend.

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### **To our Shareholders:**

This has been the twenty-second year of record accomplishments by King's Department Stores, Inc.

Our operating results are reported in the appropriate sections, but the following points are worth noting:

Our net earnings rose 16% to a total of \$8,884,000, a gain of \$1,197,000 over the previous year (including an extraordinary item in each year).

Our pre-tax income was 7% of sales and we achieved a 23% return on invested capital of \$38,085,000 at February 1, 1971.

Excluding the extraordinary item, earnings per share increased to 96¢ from 85¢ per share. The extraordinary item added 7¢ per share to our 1971 earnings.

During 1971, cash dividend payments were declared to stockholders in the amount of \$2,417,000 (28¢ per share). This represents the eleventh consecutive year that King's has paid dividends.

Your company continues to enjoy an unusually strong financial position, one of the best in our industry. Our cash resources were maintained at a high level in 1971 and at the same time, we have no long or short term indebtedness. This affords us flexibility for expansion through internal growth and acquisition.

During the past months, new economic controls and inflationary pressures have developed. We have met these challenges through improved merchandising techniques, better inventory control and more effective security measures.

An important expenditure made during the year has equipped all of our stores with new cash registers that are capable of giving us immediate sales trend information. We are proving an electronic data processing system in twelve of our stores

and the remainder will be brought in when the system is producing to our satisfaction.

Three new King's stores were opened in March, 1972: Knoxville, Tennessee, Hanover, Pennsylvania and Batavia, New York. The openings were successful and subsequent sales presage successful operations. Five additional stores are programmed for this year.

We continue to stress the importance of qualified personnel. To complement our on-the-job training, our trainees are given instructional material that covers departmental merchandising and operational procedures. Written tests are given for evaluation purposes. This training program has given us a broad base to support our policy of promotion from within.

It is a source of much satisfaction to us that many of our young executives are successfully assuming greater responsibilities for which they have been trained.

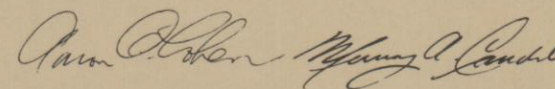
Our employee benefit program has been strengthened with the institution of a retirement plan. This became effective in 1971.

F. Walter Erich, Treasurer of King's, a key member of our management team, and Philip L. Lowe, President of Philip L. Lowe & Associates, Inc., Management

Consultants, were elected to our Board of Directors. The Company will benefit greatly from the abilities these two businessmen have developed during their years of leadership.

Your management is confident that 1972 will be another good year for King's. It is generally felt that there will be an upturn in consumer spending and King's long record of accomplishments guarantees our competitive position.

We offer our gratitude and appreciation to our shareholders, our fellow employees, our customers and our suppliers whose support and efforts have contributed so greatly to our success this past year.



Aaron O. Cohen  
Chairman

Murray A. Candib  
President

FORM NO.  
9308

KINGS DEPT. STORES

PAGE NUMBER

8

OPERATING STATEMENT

STORE NO. 33 NEWTON

| ACCOUNT DESCRIPTION       | THIS YEAR     |              | THIS MONTH    |         | LAST YEAR     |         | PERCENT |
|---------------------------|---------------|--------------|---------------|---------|---------------|---------|---------|
|                           | AMOUNT        | PERCENT      | AMOUNT        | PERCENT | AMOUNT        | PERCENT |         |
|                           |               |              |               |         |               |         |         |
| TOTAL SALES               | 00,000,000.00 |              | 22,000,000.00 |         | 00,000,000.00 |         |         |
| LESS LEASED DEPT SALES    | 0,000,000.00  |              | 0,000,000.00  |         | 0,000,000.00  |         |         |
| TOTAL NET SALES           | 00,000,000.00 | 000.01       | 02,000,000.00 | 000.00  | 00,000,000.00 | 000.00  |         |
| LESS COST OF GOODS SOLD   | 00,000,000.00 | 00.00        | 01,000,000.00 | 00.00   | 00,000,000.00 | 00.00   |         |
| GROSS PROFIT              | 0,000,000.00  | 00.00        | 0,000,000.00  | 00.00   | 0,000,000.00  | 00.00   |         |
| CONTROLLABLE EXPENSES     |               |              |               |         |               |         |         |
| STORE SALARIES            | 0,000,000.00  | 00.00        | 0,000,000.00  | 00.00   | 0,000,000.00  | 00.00   |         |
| ADVERTISING               | 000,000.00    | 0.00         | 000,000.00    | 0.00    | 000,000.00    | 0.00    |         |
| CASH SHORT                | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| CLEANING AND MAINTENANCE  | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| DONATIONS                 | 0,000,000.00  | .00          | 0,000,000.00  | .00     | 0,000,000.00  | .00     |         |
| INSURANCE                 | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| LIGHT AND HEAT            | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| OFFICE SUPPLIES & EXPENSE | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| PAYROLL TAXES             | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| PROTECTION                | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| REPAIRS                   | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| STORE EXPENSES            | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| TELEPHONE                 | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| TRAVEL                    | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| WASTE REMOVAL             | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| WRAPPING SUPPLIES         | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| MISCELLANEOUS EXPENSES    | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| TOTAL CONTROLLABLE EXP    | 0,000,000.00  | 00.00        | 0,000,000.00  | 00.00   | 0,000,000.00  | 00.00   |         |
| ALLOCATED EXPENSES        |               |              |               |         |               |         |         |
| ADMINISTRATIVE EXPENSES   | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| DEPRECIATION              | 000,000.00    | .00          | 000,000.00    | .00     | 000,000.00    | .00     |         |
| INCENTIVE BONUS           | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
| LEGAL AND AUDIT           | 00,000.00     | .00          | 00,000.00     | .00     | 00,000.00     | .00     |         |
|                           |               |              |               |         |               |         |         |
|                           |               | Percent      |               |         |               |         |         |
| 1971                      | 1970          | Change       |               |         |               |         |         |
| Assets                    | \$45,174,000  | \$38,923,000 | + 16.1        |         |               |         |         |
| Liabilities               | 8,362,000     | 8,902,000    | - 6.1         |         |               |         |         |
| Capital                   | 36,812,000    | 30,021,000   | + 22.6        |         |               |         |         |
| Ratio                     | 5.4           | 4.4          | + 22.7        |         |               |         |         |
| * 8,884,000               | 7,687,000     | + 15.6       |               |         |               |         |         |
| er Share *                | 1.03          | .90          | + 14.4        |         |               |         |         |
| cluding                   |               |              |               |         |               |         |         |
| ordinary                  |               |              |               |         |               |         |         |
| NET PROFIT AFTER TAXES    |               |              |               |         |               |         |         |

FINANCIAL  
HIGHLIGHTS

|                      | 1971         | 1970         | Percent<br>Change |
|----------------------|--------------|--------------|-------------------|
| Current Assets       | \$45,174,000 | \$38,923,000 | + 16.1            |
| Current Liabilities  | 8,362,000    | 8,902,000    | - 6.1             |
| Working Capital      | 36,812,000   | 30,021,000   | + 22.6            |
| Current Ratio        | 5.4          | 4.4          | + 22.7            |
| Net Income *         | 8,884,000    | 7,687,000    | + 15.6            |
| Earnings Per Share * | 1.03         | .90          | + 14.4            |

\* Including  
extraordinary  
item

# TEN YEAR FINANCIAL SUMMARY

*For The Years Ended January*

|                                      | <u>1972</u>   | <u>1971</u>   | <u>1970</u>   | <u>1969</u>   | <u>1968</u>   | <u>1967</u>   | <u>1966</u>   | <u>1965</u>   | <u>1964</u>  | <u>1963</u>  |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Total Sales                          | \$223,228,000 | \$216,915,000 | \$213,091,000 | \$201,288,000 | \$156,771,000 | \$128,392,000 | \$111,706,000 | \$100,819,000 | \$80,686,000 | \$62,031,000 |
| Leased Department Sales              | 28,569,000    | 31,560,000    | 32,361,000    | 32,019,000    | 26,847,000    | 22,351,000    | 27,041,000    | 28,722,000    | 22,770,000   | 14,416,000   |
| Net Sales                            | 194,659,000   | 185,355,000   | 180,730,000   | 169,269,000   | 129,924,000   | 106,041,000   | 84,665,000    | 72,097,000    | 57,916,000   | 47,615,000   |
| Leased Department and Other Income   | 4,396,000     | 3,962,000     | 3,655,000     | 3,609,000     | 2,771,000     | 2,386,000     | 2,887,000     | 3,012,000     | 2,287,000    | 1,504,000    |
| Total Income                         | 199,055,000   | 189,317,000   | 184,385,000   | 172,878,000   | 132,695,000   | 108,427,000   | 87,552,000    | 75,109,000    | 60,203,000   | 49,119,000   |
| Cost of Goods Sold and Expenses      | 183,437,000   | 174,886,000   | 171,535,000   | 162,256,000   | 123,649,000   | 100,930,000   | 80,884,000    | 69,315,000    | 56,911,000   | 46,512,000   |
| Income before Taxes                  | 15,618,000    | 14,431,000    | 12,850,000    | 10,622,000    | 9,046,000     | 7,497,000     | 6,668,000     | 5,794,000     | 3,292,000    | 2,607,000    |
| Provision for Taxes                  | 7,373,000     | 7,123,000     | 6,601,000     | 5,071,000     | 4,249,000     | 3,393,000     | 2,990,000     | 2,690,000     | 1,571,000    | 1,306,000    |
| Net income before Extraordinary Item | 8,245,000     | 7,308,000     | 6,249,000     | 5,551,000     | 4,797,000     | 4,104,000     | 3,678,000     | 3,104,000     | 1,721,000    | 1,301,000    |
| Extraordinary Item                   | 639,000       | 379,000       | —             | —             | —             | —             | —             | —             | —            | —            |
| Earnings Per Share: *                |               |               |               |               |               |               |               |               |              |              |
| Before Extraordinary Item            | .96           | .85           | .73           | .65           | .56           | .49           | .44           | .38           | .21          | .16          |
| Extraordinary Item                   | .07           | .05           | —             | —             | —             | —             | —             | —             | —            | —            |
| Stock Split (Stock Dividend)         | 2 for 1       | —             | —             | 2 for 1       | 5 for 4       | 10%           | —             | 5 for 4       | 5%           | 5%           |
| Cash Dividends **                    | .28           | .20           | .20           | .20           | .13           | .13           | .13           | .08           | —            | —            |
| Number of Stores                     | 82            | 81            | 79            | 78            | 68            | 45            | 41            | 35            | 31           | 25           |

\* Based on weighted average number of shares outstanding for each year.

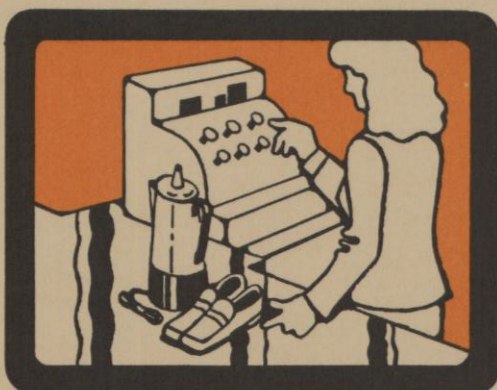
\*\* Adjusted for stock splits and stock dividends.

## Statement of Consolidated Changes in Financial Position

**Fifty-two weeks ended January 29, 1972**  
**with comparative figures for year ended January 31, 1971**

|                                                                                                                                                  | <b>1972</b>         | <b>1971</b>      |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
| Source of working capital:                                                                                                                       |                     |                  |
| Earnings before extraordinary item                                                                                                               | \$ 8,245,000        | 7,308,000        |
| Add charges against earnings, principally depreciation and amortization and minority interest in subsidiary not requiring use of working capital | <u>1,986,000</u>    | <u>1,802,000</u> |
| Working capital derived from operations before extraordinary item                                                                                | 10,231,000          | 9,110,000        |
| Extraordinary item (note 6)                                                                                                                      | <u>639,000</u>      | <u>379,000</u>   |
| Working capital derived from operations                                                                                                          | 10,870,000          | 9,489,000        |
| Proceeds from mortgage note payable                                                                                                              | —                   | 787,000          |
| Proceeds from sale of shares under stock options (note 4)                                                                                        | 312,000             | 32,000           |
| Net decrease (increase) in other assets                                                                                                          | <u>12,000</u>       | <u>(517,000)</u> |
|                                                                                                                                                  | <u>11,194,000</u>   | <u>9,791,000</u> |
| Application of working capital:                                                                                                                  |                     |                  |
| Additions to fixed assets                                                                                                                        | 1,942,000           | 2,594,000        |
| Cash dividends                                                                                                                                   | 2,417,000           | 1,718,000        |
| Decrease in long-term obligations                                                                                                                | <u>44,000</u>       | <u>68,000</u>    |
|                                                                                                                                                  | 4,403,000           | 4,380,000        |
| Increase in working capital                                                                                                                      | <u>\$ 6,791,000</u> | <u>5,411,000</u> |
| Summary of changes in working capital-increase (decrease):                                                                                       |                     |                  |
| Cash and marketable securities                                                                                                                   | \$ 9,424,000        | (2,448,000)      |
| Receivables                                                                                                                                      | (3,082,000)         | 2,994,000        |
| Inventories                                                                                                                                      | (146,000)           | 395,000          |
| Prepaid expenses                                                                                                                                 | <u>55,000</u>       | <u>(7,000)</u>   |
| Total increase in current assets                                                                                                                 | 6,251,000           | 934,000          |
| Add decrease in current liabilities                                                                                                              | <u>540,000</u>      | <u>4,477,000</u> |
| Increase in working capital                                                                                                                      | <u>\$ 6,791,000</u> | <u>5,411,000</u> |

See accompanying notes to consolidated financial statements.



## Statement of Consolidated Earnings and Retained Earnings

Fifty-two weeks ended January 29, 1972  
with comparative figures for year ended January 31, 1971

|                                                                                               | <u>1972</u>   | <u>1971</u> |
|-----------------------------------------------------------------------------------------------|---------------|-------------|
| Total store sales                                                                             | \$223,228,000 | 216,915,000 |
| Less leased department sales                                                                  | 28,569,000    | 31,560,000  |
| Net sales                                                                                     | 194,659,000   | 185,355,000 |
| Leased department income                                                                      | 3,487,000     | 3,425,000   |
| Interest and other income, net                                                                | 909,000       | 537,000     |
| Total income                                                                                  | 199,055,000   | 189,317,000 |
| Cost of goods sold, transportation, warehousing<br>and buying expenses                        | 132,436,000   | 126,470,000 |
| Store operating, administrative and general<br>expenses, including leased department expenses | 49,305,000    | 46,923,000  |
| Depreciation and amortization (note 2)                                                        | 1,355,000     | 1,254,000   |
| Minority interest in earnings of subsidiary                                                   | 341,000       | 239,000     |
| Total costs and expenses                                                                      | 183,437,000   | 174,886,000 |
| Earnings before Federal income taxes<br>and extraordinary item                                | 15,618,000    | 14,431,000  |
| Federal income taxes (note 6)                                                                 | 7,373,000     | 7,123,000   |
| Earnings before extraordinary item                                                            | 8,245,000     | 7,308,000   |
| Extraordinary item (note 6)                                                                   | 639,000       | 379,000     |
| Net earnings                                                                                  | 8,884,000     | 7,687,000   |
| Retained earnings at beginning of year                                                        | 27,333,000    | 21,364,000  |
|                                                                                               | 36,217,000    | 29,051,000  |
| Deduct cash dividends paid, \$.28 per share<br>(1971-\$.20 per share)                         | 2,417,000     | 1,718,000   |
| Retained earnings at end of year                                                              | \$33,800,000  | 27,333,000  |
| Net earnings per common share based on<br>weighted average number of shares outstanding:      |               |             |
| Earnings before extraordinary item                                                            | \$ .96        | .85         |
| Extraordinary item                                                                            | .07           | .05         |
| Net earnings                                                                                  | \$ 1.03       | .90         |

See accompanying notes to consolidated financial statements.

# Consolidated Balance Sheet

January 29, 1972 with comparative figures for January 31, 1971

## Assets

### Current assets:

|                                                                                                              | <u>1972</u>       | <u>1971</u>       |
|--------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash                                                                                                         | \$2,385,000       | 2,866,000         |
| Certificates of deposit, government securities<br>and commercial paper, at cost which approximates<br>market | 13,405,000        | 3,500,000         |
| Receivables:                                                                                                 |                   |                   |
| Construction advances, including<br>accrued interest                                                         | 339,000           | 3,295,000         |
| Miscellaneous                                                                                                | 881,000           | 1,007,000         |
| Total receivables                                                                                            | <u>1,220,000</u>  | <u>4,302,000</u>  |
| Merchandise inventories, at lower of cost or<br>market, principally by the retail method                     | 27,982,000        | 28,128,000        |
| Prepaid expenses                                                                                             | 182,000           | 127,000           |
| Total current assets                                                                                         | <u>45,174,000</u> | <u>38,923,000</u> |

### Fixed assets, at cost (note 2):

|                                                |                   |                   |
|------------------------------------------------|-------------------|-------------------|
| Land and land improvements (note 3)            | 571,000           | 773,000           |
| Building (note 3)                              | 1,103,000         | 668,000           |
| Fixtures and equipment                         | 14,704,000        | 13,402,000        |
| Leasehold improvements                         | 1,562,000         | 1,441,000         |
|                                                | <u>17,940,000</u> | <u>16,284,000</u> |
| Less accumulated depreciation and amortization | 9,143,000         | 7,916,000         |
| Net fixed assets                               | <u>8,797,000</u>  | <u>8,368,000</u>  |

### Other assets:

|                                                                                   |                     |                   |
|-----------------------------------------------------------------------------------|---------------------|-------------------|
| Unamortized leasehold acquisition costs (being<br>amortized over lives of leases) | 926,000             | 1,015,000         |
| Investments and deposits                                                          | 189,000             | 182,000           |
| Other receivables                                                                 | 590,000             | 609,000           |
| Total other assets                                                                | <u>1,705,000</u>    | <u>1,806,000</u>  |
|                                                                                   | <u>\$55,676,000</u> | <u>49,097,000</u> |

See accompanying notes to consolidated financial statements.

## Liabilities and Stockholders' Equity

|                                                                                                                                              | <b><u>1972</u></b>         | <b><u>1971</u></b>       |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------|
| Current Liabilities:                                                                                                                         |                            |                          |
| Current installment on mortgage note payable (note 3)                                                                                        | \$44,000                   | 39,000                   |
| Accounts payable                                                                                                                             | 3,951,000                  | 3,772,000                |
| Accrued expenses                                                                                                                             | 3,034,000                  | 2,755,000                |
| Federal income taxes                                                                                                                         | <u>1,333,000</u>           | <u>2,336,000</u>         |
| Total current liabilities                                                                                                                    | <u>8,362,000</u>           | <u>8,902,000</u>         |
| Deferred compensation                                                                                                                        | 350,000                    | 300,000                  |
| Deferred Federal income taxes applicable to:                                                                                                 |                            |                          |
| Accelerated depreciation deducted for tax purposes                                                                                           | 612,000                    | 595,000                  |
| Deferred compensation                                                                                                                        | <u>(168,000)</u>           | <u>(144,000)</u>         |
| Net deferred Federal income taxes                                                                                                            | <u>444,000</u>             | <u>451,000</u>           |
| Mortgage note payable (note 3)                                                                                                               | 704,000                    | 748,000                  |
| Minority interest in subsidiary                                                                                                              | 952,000                    | 611,000                  |
| Stockholders' equity:                                                                                                                        |                            |                          |
| Preferred stock, \$1 par value. Authorized and unissued 1,000,000 shares                                                                     | —                          | —                        |
| Common stock, \$1 par value. (note 4) Authorized 15,000,000 shares (1971—10,000,000 shares); issued 8,642,000 shares (1971—4,296,000 shares) | 8,642,000                  | 4,296,000                |
| Additional paid-in capital (note 5)                                                                                                          | 2,422,000                  | 6,456,000                |
| Retained earnings                                                                                                                            | <u>33,800,000</u>          | <u>27,333,000</u>        |
| Total stockholders' equity                                                                                                                   | <u>44,864,000</u>          | <u>38,085,000</u>        |
| See accompanying notes to consolidated financial statements.                                                                                 | <b><u>\$55,676,000</u></b> | <b><u>49,097,000</u></b> |
| Commitments (note 7)                                                                                                                         |                            |                          |

## Notes to Consolidated Financial Statements

January 29, 1972



### (1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned except Miracle Mart, Inc. which is approximately 81% owned; and the Company's share of losses of 50% - owned unincorporated joint ventures.

The Company uses the equity method of accounting for investments in the joint ventures which were established for the construction and operation of four shopping centers in which the Company is the principal lessee. The Company's share of the losses of the joint ventures is not material.

### (2) Fixed Assets - Depreciation and Amortization Policy

Depreciation of fixed assets and amortization of leasehold improvements are provided for book purposes on the straight-line method at rates which are sufficient to write off the cost of the assets over their estimated useful lives.

### (3) Mortgage Note Payable

The mortgage note payable, secured by land and building costing \$1,633,000, is payable to 1984 in monthly installments of \$7,046 including interest at 5  $\frac{3}{4}$  %.

#### (4) Stock Option Plans

Options to purchase shares of common stock have been granted to officers and key employees at 100% of fair market value on date of grant, exercisable at the cumulative rate of 25% annually, subject to acceleration at the discretion of the Stock Option Committee. At January 29, 1972, 21,248 shares were available for future grants.

There were outstanding at January 29, 1972, options to purchase 199,369 shares at prices ranging from \$5.50 to \$17.25 a share. During the year, options were exercised to purchase 49,925 shares (including 13,000 shares issued as a result of two for one stock split) at prices ranging from \$5.50 to \$8.62 a share or a total of \$312,102, as compared with quoted market prices ranging from \$14.56 to \$20.12 a share or a total of \$832,106. Options to purchase 43,919 shares were exercisable at January 29, 1972 at prices ranging from \$5.50 to \$8.62 a share.

Stock options are protected against dilution in the event of stock splits, stock dividends and similar events.

The Company has not included reserved option shares of its common stock in the calculations of net earnings per share since the effects of such inclusion would not be material.

#### (5) Additional Paid-in Capital

|                                                                                                  |                     |
|--------------------------------------------------------------------------------------------------|---------------------|
| Balance January 31, 1971                                                                         | \$ 6,456,000        |
| Add excess of option price over par value<br>of 36,925 shares issued under stock<br>option plans | <u>275,000</u>      |
|                                                                                                  | 6,731,000           |
| Less par value of 4,308,930 shares of<br>common stock issued as two for one<br>stock split.      | <u>4,309,000</u>    |
| Balance January 29, 1972                                                                         | <u>\$ 2,422,000</u> |

#### (6) Federal Income Taxes

|                                                                                           | <u>1972</u>         | <u>1971</u>      |
|-------------------------------------------------------------------------------------------|---------------------|------------------|
| Taxes currently payable,<br>net of investment<br>credit of \$110,000<br>(1971 - \$13,000) | \$ 6,745,000        | 6,627,000        |
| Utilization of net operating<br>loss carry-forward of<br>Miracle Mart, Inc.               | 639,000             | 520,000          |
| Deferred taxes, net                                                                       | <u>(11,000)</u>     | <u>(24,000)</u>  |
|                                                                                           | <u>\$ 7,373,000</u> | <u>7,123,000</u> |

The extraordinary item of \$639,000 included in the net earnings of the Company represents the tax benefit of the net operating loss carry-forward of Miracle Mart, Inc.

At January 29, 1972, there were available to the Company, for application against future taxable income of Miracle Mart, Inc., loss carry-forwards of approximately \$2,100,000 expiring January 27, 1973.

The Company reflects the investment tax credited as a reduction of income taxes in the year the credit occurred.

#### (7) Commitments

Total minimum annual rentals (exclusive of amounts based on sales) payable under leases amount to approximately \$7,577,000 at January 29, 1972. Such leases will expire on various dates to 1996; however, it is anticipated that as leases expire, they will be renewed or new leases will be executed. Total rent expenses for the year amounted to approximately \$8,285,000 (1971 - \$7,939,000).

#### (8) Retirement Plan

Effective February 1, 1971, the Company has a non-contributory retirement plan covering regular, full-time employees. The total retirement expense for the year was \$290,000, which includes amortization of past service cost over 30 years. The Company has funded retirement cost accrued.

# Auditor's Report

PEAT, MARWICK, MITCHELL & CO.  
 Certified Public Accountants  
 1 Boston Place  
 Boston, Massachusetts 02108

The Stockholders and  
 Board of Directors  
 King's Department Stores, Inc.

We have examined the consolidated balance sheet of King's Department Stores, Inc. and subsidiaries as of January 29, 1972 and the related statements of earnings and retained earnings and changes in financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of King's Department Stores, Inc. and subsidiaries at January 29, 1972 and the results of their operations and the changes in their financial position for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 14, 1972

PEAT, MARWICK, MITCHELL & CO.

58,715.46  
 54,788.109.63  
 97,894.772.04  
 357,198.50  
 2,365,198.47  
 187,400,478.87 \*

741,985.52  
 21,857.95  
 57,296.24  
 35,964.80  
 54,819.62  
 32,158.47  
 25,899.71  
 32,587  
 99,917.89  
 59,418.79  
 57,364.19  
 32,589.47  
 19,733.25  
 39,331.77 \*

84,199.57  
 33,21  
 99,935.79  
 64,658.28  
 22,40  
 33,219.87  
 2,243.94  
 3,499.87  
 78,919.19  
 97,110.52  
 33,49  
 63,876.13 \*

3,328.49  
 998,741.96  
 33,594.299  
 64.77



#### **DIRECTORS AND OFFICERS**

**AARON O. COHEN \***  
Chairman of the Board and Director

**MURRAY A. CANDIB \***  
President and Director

**WILLIAM F. KENNEY \***  
Executive Vice President & General Manager  
and Director

**AARON G. GOLDBERG \***  
Vice President & General Merchandise Manager  
and Director

**NATHAN GREENBERG \***  
Vice President - Finance, Secretary and Director

**JACK I. HARTBLAY**  
Vice President and Director

**F. WALTER ERICH**  
Treasurer and Director

**CHARLES J. KITTREDGE**  
Director  
Senior Vice President, First National Bank of Boston

**H. STANLEY KRUSEN**  
Director  
President/Retired, Shearson, Hammill & Co., Inc.

**PHILIP L. LOWE**  
Director  
President, Philip L. Lowe & Associates, Inc.

\* Member of the Executive Committee of the  
Board of Directors

Listed New York Stock Exchange  
Symbol KDT

# KING'S DEPARTMENT STORES, INC. and Subsidiaries

## CONNECTICUT

Manchester  
Meriden  
Milford  
New Haven  
Seymour  
Stamford  
West Hartford

## FLORIDA

Ft. Lauderdale  
West Palm Beach

## INDIANA

Ft. Wayne (2)  
New Haven

## KENTUCKY

Bowling Green  
Owensboro

## MAINE

Auburn  
Bangor  
Falmouth

## MARYLAND

Cumberland  
Hagerstown

## MASSACHUSETTS

Braintree  
Brockton  
East Longmeadow  
Fitchburg  
Hyannis  
Methuen  
Newton  
North Attleboro  
Quincy  
Shrewsbury  
Tewksbury  
West Roxbury

## MICHIGAN

Grand Rapids

## NEW HAMPSHIRE

Concord  
Plaistow  
Portsmouth

## NEW JERSEY

Edgewater Park  
Vineland

## NEW YORK

Albany  
Batavia  
Buffalo  
Cheektowaga  
Niagara Falls  
Plattsburgh  
West Seneca

## NORTH CAROLINA

Asheboro  
Durham  
Goldsboro  
Greensboro  
Greenville  
Raleigh  
Sanford  
Shelby  
Statesville  
Wilmington  
Wilson  
Winston-Salem (2)

## OHIO

Alliance  
Lancaster  
Niles

## PENNSYLVANIA

Allentown  
Cleona  
Fairless Hills  
Gettysburg  
Hanover  
Harrisburg  
Johnstown  
Kingston  
Lansdale  
Minersville  
Reading  
Scranton  
Wilkes-Barre  
York (2)

## TENNESSEE

Kingsport  
Knoxville  
Oak Ridge

## VERMONT

Rutland

## VIRGINIA

Newport News  
Norfolk (2)  
Richmond (2)  
Virginia Beach

## SEW N' SEW STORES

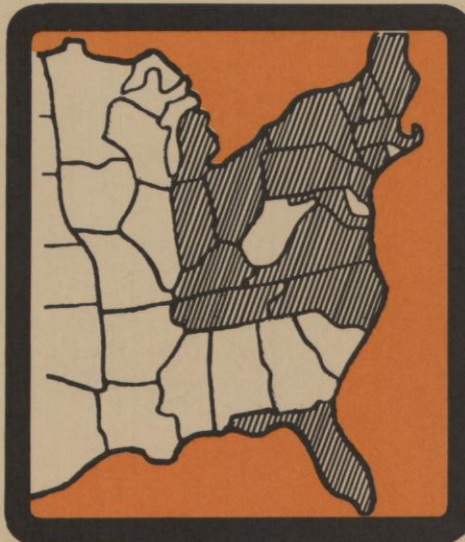
|                        |                      |
|------------------------|----------------------|
| East Longmeadow, Mass. | Greenville, N. C.    |
| Tewksbury, Mass.       | Winston-Salem, N. C. |
| Vineland, N. J.        | Pittsfield, Mass.    |
| Hyannis, Mass.         | Plaistow, N. H.      |
| Portland, Maine        | Plattsburgh, N. Y.   |

## SLAX N' JEANS STORES

Meriden, Conn.  
Quincy, Mass.

Coronet Cosmetics, Inc., Newton, Mass.

Noble Specialties, Inc., Newton, Mass.



Main Office: 150 California Street, Newton, Massachusetts 02158

New York Office: 330 West 34th Street, New York City 10001